

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

HIGHER EDUCATION COMMITTEE

Tuesday and Wednesday, June 7-8, 2016
 Skoal Room, Student Center, Valley City State University
 Valley City, North Dakota

Representative Mark Sanford, Chairman, called the meeting to order at 1:00 p.m. on Tuesday, June 7, 2016.

Members present: Representatives Mark Sanford, Thomas Beadle, Lois Delmore, Richard G. Holman, Dennis Johnson, Matthew M. Klein, Bob Martinson, David Monson, Mike Schatz, Cynthia Schreiber Beck; Senators Tim Flakoll, Ray Holmberg, Carolyn C. Nelson, David O'Connell, Larry J. Robinson

Members absent: Representatives Tracy Boe, Mark A. Dosch, Kathy Hawken, Lisa Meier, Kylie Oversen, Roscoe Streyle; Senator Karen K. Krebsbach

Others present: Naomi Muscha, State Representative, Enderlin
 Alex J. Cronquist, Legislative Council
 See [Appendix A](#) for additional persons present.

It was moved by Senator O'Connell, seconded by Senator Robinson, and carried on a voice vote that the minutes of the April 18-19, 2016, meeting be approved as distributed.

Chairman Sanford announced the committee is tentatively scheduled to meet in August 2016 in Grand Forks. He said the August 2016 meeting will be the final committee meeting of the interim.

HIGHER EDUCATION STUDY Higher Education Funding Formula

Ms. Tammy Dolan, Chief Financial Officer, North Dakota University System, presented information ([Appendix B](#)) regarding the higher education funding formula. She said the higher education funding formula is based on student credit hours completed at each institution. She said the completed student credit hours are adjusted using an instructional program factor, a credit completion factor, and an institutional size factor.

Ms. Dolan said during the 2011-13 biennium, 7,352,884 adjusted student credit hours were completed at North Dakota University System institutions. She said the preliminary calculations for the 2013-15 biennium indicate 7,544,545 adjusted student credit hours were completed at institutions. She said this represents an increase of 191,661, or 2.6 percent, in completed adjusted student credit hours between the bienniums.

Ms. Dolan said the credit hours completed at institutions during the 2013-15 biennium will be used for funding formula calculations for the 2017-19 biennium. She presented the following schedule detailing the preliminary higher education funding formula calculations for the 2017-19 biennium:

Institution	2015-17 Biennium Base Budget	2017-19 Biennium Preliminary Funding Formula Calculation	Increase (Decrease)	
Bismarck State College	\$36,580,826	\$37,786,307	\$1,205,481	3.3%
Dakota College at Bottineau	8,703,616	9,450,029	746,413	8.6%
Lake Region State College	14,987,556	15,683,016	695,460	4.6%
North Dakota State College of Science	44,731,764	43,329,152	(1,402,612)	(3.1%)
Williston State College	10,248,265	10,323,737	75,472	0.7%
Dickinson State University	26,215,932	21,981,678	(4,234,254)	(16.2%)
Mayville State University	16,739,145	17,590,442	851,297	5.1%
Minot State University	48,758,181	49,070,643	312,462	0.6%
Valley City State University	25,469,668	25,219,223	(250,445)	(1.0%)
North Dakota State University	157,410,539	160,610,714	3,200,175	2.0%
University of North Dakota	224,608,494	236,599,561	11,991,067	5.3%
Total	\$614,453,986	\$627,644,502	\$13,190,516	2.1%

Ms. Dolan said the higher education funding formula includes a provision that no institution is to receive less than 96 percent of the amount received in the previous biennium through the formula. She said the provision expires on June 30, 2017, but the University System is recommending the provision be extended.

In response to a question from Representative Beadle, Ms. Dolan said an institution is not eligible to receive a credit completion factor adjustment if the institution receives an institutional size factor adjustment. Ms. Dolan said the North Dakota State College of Science is the only institution that is eligible to receive a size factor adjustment.

In response to a question from Representative Martinson, Ms. Dolan said the credit completion factor adjustment provides additional funding for institutions that have low credit production. Ms. Dolan said the adjustment recognizes that certain economies of scale do not exist at smaller institutions.

In response to a question from Representative Delmore, Ms. Dolan said the University of North Dakota funding formula calculation includes funding for the University of North Dakota School of Medicine and Health Sciences.

In response to a question from Senator Holmberg, Ms. Dolan said the higher education funding formula calculations she presented do not include funding for salary increases or operating inflation increases.

In response to a question from Representative Martinson, Ms. Dolan said any 2017-19 biennium salary and health insurance increases will be added in the executive budget recommendation that is presented to the 2017 Legislative Assembly.

Representative Martinson expressed concern with continuing the provision in the funding formula that requires institutions to receive at least 96 percent of the amount of funding that was received during the previous biennium. He said the provision appears to defeat the purpose of using a funding formula. He said the provision has been used for multiple bienniums to assist Dickinson State University in adjusting to declining enrollment levels. He questioned how much time the institution needs to adjust its budget.

Ms. Dolan said the minimum payment provision reduces the rate of funding reduction an institution will experience during times of declining enrollment. She said an institution will eventually reach the lower level of funding and the minimum payment provision provides a gradual transition to the lower amount. She said the provision has allowed Dickinson State University to make adjustments and re-evaluate operations in response to the lower enrollment levels.

Chairman Sanford said Williston State College and Dickinson State University also received appropriations separate from the funding formula to address unique campus needs.

Ms. Dolan said the separate appropriations were considered one-time funding and are excluded from the base budget calculations.

February 2016 General Fund Budget Allotment

Ms. Dolan presented information ([Appendix C](#)) regarding the effect of the February 2016 general fund budget allotment on University System institution budgets. She said the budget allotment resulted in reduced general fund appropriations of approximately \$29.9 million for University System institutions. She said in total, institutions reduced operations funding by \$26.6 million and capital assets funding by \$3.3 million.

Ms. Dolan said institutions have implemented various cost-saving measures as a result of the budget allotment. She said institutions have saved salary funding through reduced salary increases, the elimination of certain positions, and by delaying the filling of vacant positions. She said operating cost savings have resulted from reductions in travel expenses, equipment purchases, and facility repairs.

In response to a question from Representative Martinson, Ms. Dolan said no institutions have completely eliminated employee salary increases. Ms. Dolan said campuses have generally reduced the amount of the employee salary increases.

In response to a question from Chairman Sanford, Ms. Dolan said there is no University System policy relating to faculty course load levels.

In response to a question from Senator O'Connell, Ms. Dolan said institutions have reserve funds that may be used to offset a portion of funding reductions resulting from the allotment. Later in the meeting, Ms. Dolan distributed a document ([Appendix D](#)) which provides information regarding reserve funds at institutions.

Dr. Mark R. Hagerott, Chancellor, North Dakota University System, said institutions followed guidelines from the University System Office when determining what budget reductions to implement as a result of the allotment. He said institutions were instructed not to reduce funding for high priority programs unless the program had low enrollment or was offered at other institutions.

In response to a question from Senator Holmberg, Dr. Hagerott said the State Board of Higher Education must approve the termination of an academic program at an institution. However, Dr. Hagerott said institution presidents have been given the flexibility to identify programs for elimination, and to begin the notification process that the programs will be eliminated, prior to receiving board approval to terminate the program.

Senator Holmberg said allowing institution presidents to begin the process of terminating a program is essentially giving institution presidents full authority to terminate programs. He said once a president identifies a program for termination, students will not enroll in the program even if the board has not formally approved the program termination.

Chairman Sanford said the State Board of Higher Education is responsible for the strategic planning of the University System including which programs are offered at institutions. He said the strategic planning should be used to reduce program duplication and mission changes at institutions. He said the strategic planning process is not effective if the board is only involved in program decisions part of the time.

Dr. Hagerott said the State Board of Higher Education will be reviewing budget allotment plans and other governance issues at the June 2016 board meeting.

Representative Delmore suggested the University System give priority to providing salary increases to lower paid employees when developing budget plans for the remainder of the biennium.

In response to a question from Representative Delmore, Dr. Hagerott said in February 2016 the State Board of Higher Education discussed the budget allotment and decided to allow each campus to decide where budget reductions should be made.

In response to a question from Representative Monson, Ms. Dolan said some campuses have reduced the scope of certain capital projects due to the budget allotment.

In response to a question from Senator Holmberg, Ms. Dolan said campuses will seek Budget Section approval if needed for changes to capital projects.

University System Administrative Costs

Chairman Sanford called on the Legislative Council staff for comments regarding the committee's study of administrative costs at University System institutions. The Legislative Council staff said representatives of the University System have been gathering data relating to administrative costs at institutions. He said suggestions previously provided by committee members, and other criteria, were provided to the University System office for consideration when gathering the data.

Dr. Lisa Feldner, Vice Chancellor for Information Technology and Institution Research and Interim Chief of Staff, North Dakota University System, presented information ([Appendix E](#)) regarding administrative costs at University System institutions. She said the University System office has been working to gather data regarding the number of administrators at each institution. She said it is difficult to compare data among institutions because the definition of an "administrator" can vary by campus.

Dr. Feldner presented the following schedule which provides a preliminary estimate of the number of full-time equivalent (FTE) employees at each institution compared to the national average number of employees at similar institutions:

FTE Employees Per 1,000 Students at University System Institutions				
Institution	Total FTE Employees	FTE Employees Per 1,000 Students	National Average FTE Employees Per 1,000 Students ¹	Difference Between Institution and National Average for FTE Employees Per 1,000 Students
Bismarck State College	385	130	115	15
Dakota College at Bottineau	90	180	115	65
Lake Region State College	130	134	115	19
North Dakota State College of Science	375	163	115	48
Williston State College	131	230	115	115
Dickinson State University	243	191	150	41
Mayville State University	194	252	150	102
Minot State University	485	186	140	46
Valley City State University	216	219	150	69
North Dakota State University	2,915	228	234	(6)
University of North Dakota	3,075	244	234	10

¹As determined in the February 2014 Delta Cost Project Issue Brief: *Labor Intensive or Labor Expensive? Changing Staffing and Compensation Patterns in Higher Education.*

Dr. Feldner presented the following schedule detailing the number of senior-level administrative positions employed in total by University System institutions as of July 1, 2005, July 1, 2010, and July 1, 2015:

University System Senior-Level Administrator Count ¹				
Position	2005 Count	2010 Count	2015 Count	Increase from 2005 to 2015
President	10	10	10	0
Vice President of Academic Affairs (Provost)	6	7	7	1
Vice President	28	29	29	1
Vice Provost	1	2	3	2
Chief of Staff	0	0	1	1
Associate Vice President	4	4	4	0
Dean	26	26	27	1
Associate Dean	8	10	13	5
Director	1	1	1	0

¹Based on the number of employees included in University System employee classification subbands 0105 (Executive), 0110 (Dean), 2010 (Associate Dean), and 2020 (Assistant Dean).

Dr. Feldner presented the following schedule detailing the average compensation of senior-level administrators at University System institutions as of July 1, 2005, July 1, 2010, and July 1, 2015:

University System Senior-Level Administrator Compensation					
Position	2005 Average	2010 Average	2015 Average	Increase from 2005 to 2015	
President	\$157,423	\$203,879	\$237,967	\$80,544	51.2%
Vice President of Academic Affairs (Provost)	\$121,995	\$143,212	\$184,396	\$62,401	51.2%
Vice President	\$109,896	\$143,243	\$175,381	\$65,485	59.6%
Vice Provost	\$89,873	\$175,018	\$191,932	\$102,059	113.6%
Chief of Staff	N/A	N/A	\$177,366	N/A	
Associate Vice President	\$70,451	\$91,488	\$110,444	\$39,993	56.8%
Dean	\$114,256	\$154,601	\$181,646	\$67,390	59.0%
Associate Dean	\$77,056	\$122,673	\$170,605	\$93,549	121.4%
Director	\$66,924	\$88,729	\$155,175	\$88,251	131.9%

Dr. Feldner said between 2005 and 2015, the number of faculty and teaching staff at University System institutions decreased by 213, from 2,102 in 2005 to 1,889 in 2015. She said during the same time period, compensation levels of faculty with a full professor rank increased from \$73,198, to \$104,934, and compensation levels of associate professors increased from \$56,558, to \$76,601.

In response to a question from Representative Delmore, Dr. Feldner said the University System office is still working to identify the full costs of salaries associated with administrator positions.

Representative Martinson suggested the committee include time during the next meeting to further review the administrative costs data. He requested the administrative cost data to be separated for each institution.

In response to a question from Representative Martinson, Dr. Feldner suggested committee members provide feedback regarding the data and provide suggestions for how to present the administrative cost data at the next committee meeting.

In response to a question from Senator Flakoll, Dr. Feldner said the State Board of Higher Education has also requested to receive information on administrative costs at institutions.

Dr. Hagerott said there has been an enhanced focus on areas to reduce costs as a result of the recent budget situation. He said the State Board of Higher Education will be reviewing administrative costs at institutions and will be establishing benchmarks and monitoring administrative costs data.

In response to a question from Senator Nelson, Dr. Feldner said she will provide clarification at the next committee meeting regarding the types of positions included in the "Director" classification.

In response to a question from Senator Flakoll, Dr. Feldner said some faculty positions are not assigned a rank. Dr. Feldner said she will provide additional information at the next committee meeting regarding faculty members that are not assigned a rank by an institution.

Chairman Sanford suggested the University System office provide additional clarification at the next committee meeting regarding the types of positions included in each administrator category.

Chairman Sanford said certain national studies have identified increases in a new category of employees classified as "professionals." He said these types of positions provide student, academic, or other professional services.

In response to a question from Representative Klein, Dr. Larry Skogen, President, Bismarck State College, said most faculty members are issued a 9-month teaching contract. However, Dr. Skogen said, some programs are taught 10 or 11 months each year and require faculty members to be issued a longer contract. He said some faculty members, such as those serving as a department chair, may be issued a 12-month contract.

Chairman Sanford asked committee members to contact the Legislative Council staff with any additional questions or comments regarding the study of administrative costs.

Update on Issues Affecting Valley City State University

Dr. Tisa Mason, President, and Dr. Julee Russell, Professor, Valley City State University, presented information ([Appendix F](#)) on issues affecting the institution. Dr. Mason said the institution recently began a program to allow students to obtain a bachelor's degree in 3 years. She reviewed the profiles of several students who completed a bachelor's degree in less than 4 years.

Dr. Russell provided an overview of the Valley City State University 3-year bachelor's degree programs including a [website](#) that provides students with information on the programs. She said in the program, students take courses or complete internships during the summer in addition to attending regular courses during the fall and spring semesters.

In response to a question from Senator Holmberg, Dr. Russell said the 3-year program is only available for programs in certain academic areas. Dr. Russell said it may be difficult to offer a 3-year program in areas that have several laboratory sciences courses.

In response to a question from Representative Klein, Dr. Russell said students enrolled in the 3-year program generally pay the same amount of tuition as students that complete a bachelor's degree in 4 years. Dr. Russell said the cost savings to the student results from not having to pay fees and living expenses for a fourth year of college.

In response to a question from Senator Flakoll, Dr. Russell said the institution had to make several adjustments to the financial aid program for students enrolled in the 3-year program.

Senator Flakoll suggested the committee receive information regarding the eligibility of students enrolled in 3-year programs to receive a career and technical education (CTE) or academic scholarship during summer semesters.

Representative Schreiber Beck commended Valley City State University on the 3-year program initiative and efforts to improve student affordability.

Dr. Mason provided comments regarding the campus floodwall protection project. She said due to the proximity of the Foss Music Hall to the Sheyenne River, the floodwall could not be constructed between the music hall and the river. She said the floodwall is being constructed on the side of the music hall opposite the river and will not provide flood protection for the building. She displayed a video providing an overhead view of the floodwall project.

In response to a question from Chairman Sanford, Dr. Mason said the campus is proposing to construct a new communications and fine arts building to replace Foss Music Hall. Dr. Mason said as part of the project, the music hall and another building on campus, McCarthy Hall, would be demolished.

In response to a question from Representative Monson, Dr. Mason said the floodwall could not be constructed to protect Foss Music Hall due to engineering concerns.

The committee conducted a tour of selected campus infrastructure projects. The committee viewed the construction of the floodwall located next to Foss Music Hall. The committee also toured the health and wellness facility which is currently being constructed on the west edge of campus.

The committee recessed at 4:30 p.m. and reconvened at 8:30 a.m. on Wednesday, June 8, 2016.

Campus Master Plan and Space Utilization Study

Mr. Rick Tonder, Director of Facilities Planning, North Dakota University System, presented information ([Appendix G](#)) regarding the University System campus master plan and space utilization study. He said the University System first engaged a consultant in 2014 to begin the systemwide campus master plan and space utilization study. He said the purpose of master planning is to resolve strategic program needs through an analysis of criteria such as the availability of space for a program and the condition of the space.

Mr. Tonder said the criteria for determining space utilization includes room schedules and density. He said room scheduling is the amount of time classrooms and laboratories are being used. He said room density is the number of students occupying the available student spaces in each room compared to total capacity. He said the utilization rate is calculated by multiplying its scheduling rate times its density rate.

Mr. Tonder said the space utilization goal is for each classroom to be used at least 30 hours per week with an occupancy rate of at least 80 percent of capacity. He said the space utilization goal for laboratories is for each laboratory to be used at least 20 hours per week with an occupancy rate of at least 75 percent of capacity.

Mr. Tonder said on average, University System institutions have below average space utilization rates. He said utilization rates of classrooms at institutions range from 22.6 to 91.3 percent while the utilization rates of laboratories at institutions range from 32 to 176.7 percent. He said low space utilization rates may be caused by excessive classroom or laboratory space at an institution, noncentralized scheduling methods, or space that is in poor condition.

In response to a question from Chairman Sanford, Mr. Tonder said having a space utilization rate of over 100 percent indicates the classroom or laboratory is being scheduled and occupied at rates higher than the target rate. Mr. Tonder said an institution with high space utilization rates may need to review options to provide more space for programs.

In response to a question from Senator Flakoll, Mr. Tonder said occupancy rates are determined using the number of students who are enrolled in and attending courses during the second week of a semester.

In response to a question from Chairman Sanford, Mr. Tonder said some institutions may view certain classrooms as only being available for use by a certain academic department. Mr. Tonder said to improve utilization rates, all classrooms need to be made available to all academic departments at each institution. However, he said, it may be appropriate to limit the courses offered in specialized classrooms or laboratories.

In response to a question from Chairman Sanford, Mr. Tonder said buildings are evaluated to determine if repairs should be made to the building or if it is better to demolish the structure. Mr. Tonder said demolition costs of a building are significantly impacted by its size, how the building was constructed, and whether there are hazardous materials located in the building.

In response to a question from Representative Monson, Mr. Tonder said the University System office is working with campuses to determine maintenance needs for each institution building. Mr. Tonder said a list is being compiled of the condition of buildings at each institution.

In response to a question from Representative Martinson, Mr. Tonder said some institutions may have low space utilization rates due to specialized programs. Mr. Tonder said for example, the North Dakota State College of Science has classrooms and facilities dedicated to specialized programs such as diesel technology. He said it is not practical for the space to be used for other programs. He said the utilization rates also do not reflect students utilizing the program facilities outside of scheduled class times.

Dr. Mason said Valley City State University discovered an error when calculating the space utilization rates for the institution. She said the error was included in the document distributed by Mr. Tonder to the committee. She said the institution has an approximately 43 percent classroom utilization rate and an approximately 58 percent laboratory utilization rate.

In response to a question from Representative Monson, Mr. Tonder said the University System office is still working to compile accurate classroom utilization rates for Dickinson State University. Mr. Tonder said there was a delay in gathering the information due to the recent changes in campus leadership.

Senator Flakoll suggested reviewing the data in a scatter graph format to identify potential space utilization concerns for buildings at each institution.

Representative Delmore suggested the committee receive additional information regarding unique program and other issues at institutions which may affect space utilization rates.

In response to a question from Chairman Sanford, Mr. Tonder said deferred maintenance amounts for a building are based on the projected life span of building components. Mr. Tonder said even if a component has a projected life span of 10 years, the component may last much longer than the projection. He said the proper management of buildings at a facility includes carrying a deferred maintenance balance for the building.

In response to a question from Chairman Sanford, Mr. Tonder said institution master plans are used as a tool to identify space needs to achieve the strategic plan of an institution. Mr. Tonder said a strategic plan is needed for the University System to determine what programs are going to be offered at each institution, which in turn affects space needs at the institution.

In response to a question from Chairman Sanford, Mr. Tonder said the State Fire Marshal inspects institution buildings to determine if a facility is safe to be occupied. Mr. Tonder said the State Fire Marshal will not allow courses to take place in a building if there is a significant life safety risk. He said the State Fire Marshal may issue corrective orders to fix minor issues that may affect safety. He said in the event of a fire at a science building or other facility containing gasses and chemicals, the fire suppression efforts may focus on external actions if the building is vacant.

In response to a question from Representative Monson, Mr. Tonder said deferred maintenance needs consist of a combination of urgently needed repairs and routine replacement items. Mr. Tonder said some critical items, such as heating components, will be replaced on a regular schedule prior to the failure of the component.

In response to a question from Representative Martinson, Mr. Tonder said the State Board of Higher Education will review building conditions and needs at institutions to determine potential capital project requests for the upcoming biennium. Mr. Tonder said a priority is given to projects that address life safety issues.

In response to a question from Senator Flakoll, Mr. Tonder said there is no standard percentage of operating costs that should be allocated for building maintenance. Mr. Tonder said a budget for building maintenance at an institution should be based on a thorough review of critical and noncritical maintenance needs at the institution.

University System Capital Projects

The Legislative Council staff presented a memorandum entitled [State Funding for North Dakota University System Building Projects](#). The Legislative Council staff said the memorandum summarizes state funding requested by the State Board of Higher Education for capital projects and legislative appropriations for projects.

In response to a question from Chairman Sanford, the Legislative Council staff said the last time state bonding was used to finance higher education capital projects was during the 2005-07 interim. The Legislative Council staff said since then, all projects have been funded through available funds in the general fund or other selected special funds.

Campus Security Issues

Dr. Feldner provided comments regarding campus security statistics data at University System institutions. She said in accordance with the federal Clery Act of 1990, each campus prepares a campus security report which provides information regarding any crimes or other safety issues occurring on a campus for the previous 3 academic years. She said the campus security reports are available on each institution's website. She provided a copy of the campus security reports to the committee. The reports are on file in the Legislative Council office.

Mr. Pete Smithhisler, Vice President for Student Affairs, Valley City State University, presented information ([Appendix H](#)) regarding the actions of the institution as a result of the federal Clery Act. He said the Act requires institutions to record campus crime statistics for crimes committed on campus, in public areas near campus, or in certain noncampus buildings. He said the Act requires institutions to provide timely warnings relating to crimes that could affect institution students or staff and to maintain and make available campus safety policies.

In response to a question from Senator Holmberg, Mr. Smithhisler said policies are also in place to ensure student due process rights are maintained. Mr. Smithhisler said the institution wants any student accused of a crime to have the opportunity to properly defend themselves in disciplinary proceedings.

Mr. Smithhisler said Valley City State University is engaging students in discussions and training relating to campus safety and the prevention of sexual assault. He said the institution has played the film *The Hunting Ground* as an educational experience relating to federal Title IX issues. He said the institution is also working to educate students regarding the support available to individuals involved in campus sexual assault incidents.

In response to a question from Representative Martinson, Mr. Smithhisler said some individuals have noted the film *The Hunting Ground* does not fairly address the issue of sexual assault incidents on campus. Mr. Smithhisler said the film was shown in an effort to foster discussion and provide education regarding student behavior, student conduct, and student responsibility.

Dr. Feldner presented an update ([Appendix I](#)) on University System efforts to address campus sexual assault issues as identified in 2015 House Concurrent Resolution No. 3052. She said the University System developed a task force to address federal Title IX and other issues involving campus sexual assault incidents and related proceedings. She said the task force has assisted institutions in updating policies relating to campus sexual assault incidents and student rights during disciplinary proceedings. She said institution employees are also receiving training regarding the reporting of sexual assault incidents, ways to prevent assaults from occurring, and services available to victims of assault.

State Authorization Reciprocity Agreements

Dr. Feldner presented information ([Appendix J](#)) regarding state authorization reciprocity agreements (SARA). She said SARA is used by several member states to authorize the delivery of distance education courses in a state. She said if one SARA member state approves a distance education course, the institution can deliver the course in all member states. She said 36 states are currently SARA members. She said 423 institutions are authorized to offer distance education courses to students in North Dakota.

In response to a question from Senator Flakoll, Dr. Feldner said she will provide the committee with information regarding institution cost savings in North Dakota as a result of SARA.

Distance Education Enrollment and Costs

Dr. Feldner presented information ([Appendix K](#)) regarding the enrollment of students in distance education courses. She said defining a distance education course is difficult because some courses include both on-campus and online content. She said for reporting purposes, distance education courses are generally defined as a course with at least 50 percent of content delivered through a distance delivery method such as the Internet or interactive video.

Dr. Feldner said during the fall 2015 semester, 47 percent of all University System students enrolled in at least one distance education course. She said 61 percent of University System students who only enrolled in distance education courses are North Dakota residents. She said at 2-year institutions, 78 percent of students who enrolled only in distance education courses are North Dakota residents, compared to 31 percent at research institutions.

In response to a question from Representative Delmore, Dr. Feldner said the distance education student counts include high school students taking dual-credit or early-entry courses.

Representative Holman said the distance education student counts also include on-campus students that take one or two courses online due to scheduling conflicts.

In response to a question from Senator Nelson, Dr. Feldner said she will provide information to the committee regarding the number of North Dakota residents enrolled in distance education courses offered by institutions outside of the state.

Ms. Dolan presented information ([Appendix L](#)) regarding distance education revenues and costs at institutions. She presented the following schedule detailing the tuition and fee charge differential between online and on-campus courses at system institutions:

Institution	Additional Online Per-Credit Tuition and Fee Costs Compared to On-Campus Course	Percentage Difference Between Online and On-Campus Tuition and Fee Costs
Bismarck State College - Regular courses	\$80.41	36.7%
Bismarck State College - Energy program	\$121.41	46.7%
Dakota College at Bottineau	\$24.82	12.5%
Lake Region State College	\$18.35	10.0%
North Dakota State College of Science	\$38.97	20.7%
Williston State College	\$33.68	16.8%
Dickinson State University	\$48.80	15.9%
Mayville State University	\$14.15	5.1%
Minot State University	\$0	0.0%
Valley City State University	\$0	0.0%
North Dakota State University	\$0	0.0%
University of North Dakota	\$0	0.0%

Ms. Dolan said it is difficult to determine the costs relating directly to distance education courses. She said some costs, such as technology equipment and course software, are easily identified as being directly related to distance education courses. However, she said, many campus services, such as admissions and student finance functions, are shared between on-campus and distance education courses.

In response to a question from Senator Holmberg, Dr. Doug Darling, President, Lake Region State College, said students taking courses at Lake Region State College are charged a per-credit tuition and fee rate for online courses. Dr. Darling said students are charged a maximum of 12 credits for on-campus courses even if they take more than 12 credits. He said a student is charged the online course tuition and fee amount even if they are taking more than 12 credits of on-campus courses.

In response to a question from Senator Holmberg, Dr. Hagerott said the University System created a tuition and fees study group to review online and on-campus tuition and fees charged by institutions. Dr. Hagerott said the study group is reviewing fees paid by students who enroll at one institution but take a distance education course from another institution.

Dr. Kevin Melicher, Member, State Board of Higher Education, provided comments to the committee regarding distance education courses. He said online courses provide a convenience to students who may not be able to attend traditional classroom courses on a campus. He said students taking online courses may also save money by not paying for on-campus housing and meals.

In response to a question from Chairman Sanford, Ms. Dolan said the University System is conducting a detailed cost analysis of distance education courses including rates and waivers. Ms. Dolan said it will be several months before the analysis is complete.

OTHER BUSINESS

Academic and Career and Technical Education Scholarships

Ms. Dolan presented a report ([Appendix M](#)) pursuant to North Dakota Century Code Section 15-10-59, regarding the academic and career and technical education scholarship program. She said of the 7,839 high school seniors in the state that graduated in 2015, a total of 1,709, or 22 percent, qualified to receive an academic or CTE scholarship. She said since the program began in 2010, there have been 48,350 high school graduates in the state and 8,902, or 18 percent of those graduates were eligible to receive an academic or CTE scholarship. She said of the 8,902 eligible students, 5,697 students qualified for an academic scholarship and 3,205 students qualified for a CTE scholarship.

Ms. Dolan said a total of 4,313 students received an academic or CTE scholarship during the fall 2015 semester. She presented the following schedule detailing the types of institutions attended by students receiving a scholarship during the fall 2015 semester:

	Type of Institution Attended by Scholarship Recipients (Fall 2015 Semester)				
	2-Year Public or Tribal Institution	4-Year Public Institution	Public Research Institution	Private Institution	Total
Academic scholarship recipients	142	292	2,009	341	2,784
CTE scholarship recipients	315	283	765	166	1,529
Total	457	575	2,774	507	4,313

Estimated Costs to Expand Student Financial Assistance Programs

Ms. Dolan presented information ([Appendix N](#)) regarding estimated costs to expand selected student financial assistance programs. She reviewed the following estimated costs to increase the award levels for the academic and CTE scholarship program and the needs-based student financial assistance grant program:

Program	Current Award Level	Potential Increased Award Level	Estimated Additional Funding Required to Increase Award Level	
			2017-19 Biennium	2019-21 Biennium
Academic and CTE Scholarships	\$1,500 per semester; \$6,000 lifetime maximum	\$1,700 per semester; \$6,800 lifetime maximum	\$1,235,796	\$3,964,635
Needs-based student financial assistance grants	\$975 per semester; \$7,800 lifetime maximum	\$1,025 per semester; \$8,200 lifetime maximum	\$1,438,500	\$4,979,902
		\$1,050 per semester; \$8,400 lifetime maximum	\$2,157,750	\$4,979,902

Chairman Sanford called for committee discussion regarding whether the committee should recommend an increase in the award level of the academic and CTE scholarship program or the needs-based student financial assistance grant program.

Senator Holmberg said it may not be the best time to increase the award levels due to the current budget situation.

Senator Flakoll said a constitutional amendment will be on the November 2016 general election ballot to allow for additional uses of the foundation aid stabilization fund. He said if the measure passes, additional funding will be available for student scholarships.

Ms. Dolan presented the following schedule detailing loan forgiveness programs administered by the University System office including the amount of additional funding that would be required to provide loan forgiveness to all eligible program applicants:

	Teacher Shortage Loan Forgiveness Program	Science, Technology, Engineering, and Mathematics (STEM) Occupations Loan Forgiveness Program
Annual loan forgiveness amount	\$1,000	\$1,500
Lifetime maximum loan forgiveness	\$3,000	\$6,000
2014 application year:		
Eligible applicants	481	1,161
Cost to fund all eligible applicants	\$481,000	\$1,741,500
Actual program funding	373,072	1,154,893
Shortfall	\$107,928	\$586,607
2015 application year:		
Eligible applicants	540	1,002
Cost to fund all eligible applicants	\$540,000	\$1,503,000
Actual program funding	424,885	1,178,259
Shortfall	\$115,115	\$324,741

In response to a question from Senator Nelson, Ms. Dolan said students generally do not qualify for both loan forgiveness programs.

In response to a question from Chairman Sanford, Ms. Dolan said both loan forgiveness programs are included in the education incentive programs line item appropriated to the University System office. Ms. Dolan said the State Board of Higher Education has the ability to increase or decrease funding for each program subject to the availability of funding appropriated for education incentive programs.

Senator Nelson said it may be appropriate to increase the annual loan forgiveness amount for the teacher shortage loan forgiveness program to \$1,500 per year to be consistent with the STEM occupations loan forgiveness program.

Senator Flakoll suggested the committee receive a list of eligible occupations under the STEM occupations loan forgiveness program.

In response to a question from Senator Flakoll, Ms. Dolan said statute provides for the maximum lifetime loan forgiveness amount under the teacher shortage loan forgiveness program to be \$5,000 or a lesser amount set by the State Board of Higher Education. Ms. Dolan said board policy currently provides for a lifetime loan forgiveness of \$3,000 under the program.

Potential Legislation and Committee Recommendations

Chairman Sanford called on Dr. Feldner for suggestions for potential legislation to be considered by the committee. Dr. Feldner and Ms. Dolan reviewed the following suggestions ([Appendix O](#)) for legislation to be considered by the committee:

- Provide for unified student system initiatives, including a systemwide learning management system, systemwide online course catalog, and systemwide scheduling module;
- Remove the sunset clause from Section 15-18.2-06 which establishes a minimum amount payable to an institution through the higher education funding formula; and
- Establish a state student aid advisory board to provide strategic direction for all state financial aid programs.

In response to a question from Chairman Sanford, Dr. Feldner said the 2015 Legislative Assembly provided general fund appropriations for various information technology initiatives including the implementation of predictive analytics reporting. Dr. Feldner said a portion of the appropriation was classified as one-time funding.

In response to a question from Representative Delmore, Ms. Dolan said the only student financial assistance program that has an advisory board is the needs-based student financial assistance program. Ms. Dolan said membership of the advisory board consists of campus financial aid officers, a campus finance officer, a high school counselor, and a student enrolled at a higher education institution in the state.

Chairman Sanford requested the Legislative Council staff draft a bill for the next committee meeting to create a state student aid advisory board.

Senator Holmberg suggested the committee consider a bill draft to remove the sunset clause from Section 15-18.2-06 which establishes a minimum amount payable to an institution through the higher education funding formula.

Chairman Sanford said the committee could also consider a bill draft to continue the higher education challenge grant program.

Representative Martinson said it may not be appropriate to continue the challenge grant program due to the current budget situation. He said limited funding will be available in the 2017-19 biennium and the funding may be better utilized to maintain operations at institutions.

Senator Flakoll said another option would be to continue the challenge grant program and use the grants for leverage to increase the number of student scholarships.

Chairman Sanford requested the Legislative Council staff prepare a bill draft for the next meeting to continue the higher education challenge grant program and to prepare a second version of the bill draft to continue the challenge grant program, but to focus efforts on student scholarships.

In response to a question from Senator Holmberg, Ms. Dolan said funding for the higher education challenge grant program was classified as one-time funding and is not included in base budget amounts.

Chairman Sanford requested the Legislative Council staff prepare bill drafts for the next meeting to provide for the unified student initiatives identified by Dr. Feldner and to consolidate the teacher shortage loan forgiveness program and the STEM occupations loan forgiveness program.

Senator Robinson suggested the next committee meeting agenda include time for discussion on the appropriateness of the University System office assessing campuses for services.

Senator Flakoll suggested the committee consider a bill draft to prohibit the assessment of campuses by the University System office.

Committee Discussion

Representative Schatz commended Valley City State University for the institution's 3-year program initiative which will help reduce student educational costs.

Chairman Sanford said the final committee meeting of the interim is scheduled for August 2016 in Grand Forks.

No further business appearing, Chairman Sanford adjourned the meeting at 11:40 a.m.

Brady A. Larson
Assistant Legislative Budget Analyst and Auditor

ATTACH:15